

1998 Recycling Equipment Credit

Obtain additional information or assistance, tax forms and instructions, and copies of tax rulings and tax procedures by contacting one of the numbers listed below:

Phoenix	(602) 255-3381
Nationwide, toll-free	(800) 352-4090
Form Orders	(602) 542-4260
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Phoenix	(602) 542-1991
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Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at:

www.revenue.state.az.us

General Instructions

ARS §§ 43-1076 and 43-1164 provide a tax credit for individuals and corporations who acquire and place in service recycling equipment in this state. This credit is allowed for taxable years beginning after December 31, 1992. To qualify for this credit, the equipment must be used exclusively to:

- Process post-consumer select solid waste materials including paper, plastic, scrap metal and iron, glass, and rubber, **or**
- Produce finished products which are composed of at least 25 percent post-consumer select solid waste materials.

This credit is equal to 10 percent of the installed cost of the equipment. The amount of credit claimed in a tax year cannot exceed the lesser of \$5,000 or 25 percent of the current year's tax liability without applying the credit.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed under ARS § 43-1076 or § 43-1164 based on the ownership interest. The total of the credits allowed all owners may not exceed the amount that would have been allowed for a sole owner of the business.

A taxpayer who elects to take a credit pursuant to ARS § 43-1076 or § 43-1164 shall not deduct any amount for depreciation or amortization of costs of the recycling equipment in determining taxable income for any taxable year.

Recycling equipment is new or used equipment purchased during the taxable year and used exclusively to process post-consumer select solid waste materials and manufacturing machinery used exclusively to produce finished products, the

select solid waste materials.

If the allowable credit exceeds the current taxable year's

amount to each of the following 15 taxable years, until the qualified equipment ceases to be recycling equipment or is

which a credit was claimed ceases to be recycling equipment or is transferred to another person during any taxable year,

the amount of the credit claimed for the recycling equipment multiplied by the recapture percentage prescribed for that

The recycling equipment credit is in lieu of:

- The environmental technology facility credit, under ARS § 43-1169, with respect to the same recycling equipment; and

The pollution control credit, under ARS § 43-1170, with respect to the same equipment.

Complete the name and federal employer identification/social security number section at the top of the

covered by the taxable year. Attach the completed form to the tax return.

department require a taxpayer identification number (TIN). The TIN for a corporation, S corporation, or a partnership is

TIN for an individual is the taxpayer's social security number or an IRS individual taxpayer identification number.

penalty.

Part I - Schedule of Cost of Equipment Placed Into Service in Current Year and Calculation of Current

Enter description of item, date placed in service, and cost for the current taxable year.

Enter the total cost of the items placed in service during the

Line 2 -

result.

Shareholder's Share of the Credit

S corporations must complete line 3. The S corporation must pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S 120S.

Lines 4 through 6 -

shareholders, it must also complete lines 4 through 6. The S corporation must complete Part I. Then, complete corporation must furnish each shareholder with a copy of the completed Form 307.

shareholders, it must notify each shareholder of the shareholder's pro rata share of the adjustment to income of the recycling equipment for which the credit is claimed. Each shareholder must complete Part IV and Part V.

Lines 7 through 9 -

A partnership must complete Part I. Then lines 7 through 9 partnership must furnish each partner with a copy of the completed Form 307.

Part IV - Available Credit Carryover

NOTE: A taxpayer is allowed to carry forward the amount of the unused recycling equipment credit for a period not to exceed 15 taxable years, provided the equipment remains recycling equipment and is not transferred to another person. However, if any equipment for which the credit was claimed ceases to be recycling equipment or is transferred to another person, the carryover for that equipment is lost.

Calculate the total available carryover of the recycling equipment credit on page 2, Part IV, lines 10 through 25. Complete these lines if the taxpayer claimed the credit on a prior taxable year's tax return and had excess credit.

Enter the applicable taxable year(s) in column (a) of lines 10 through 24. Enter the original amount of recycling credit available for the taxable year in column (b). Enter the amount of credit previously used in column (c). Subtract column (c) from column (b) and enter the amount of the credit available for carryover in column (d). Add the amounts entered on lines 10 through 24, column (d). Enter the total on line 25, column (d).

Part V - Total Available Credit

Line 26 -

Individuals and corporations (including S corporations that

elected to claim the credit) - Enter the amount from Part I, line 2.

S corporation shareholders - Enter the amount from Part II, line 6.

Partners of a partnership - Enter the amount from Part III, line 9.

Line 27 -

Enter the amount of available carryover from Part IV, line 25, column (d).

Line 28 -

Add lines 26 and 27. Enter the total here and on Form 300, Part I, line 5, or Form 301, Part I, line 5.

The entire amount of the unused credit shall be carried forward to the earliest of the taxable years to which the unused credit may be carried. Credits for a taxable year shall be applied in the following order:

- Unused credit carryovers.
- Current year credits.

Part VI - Recapture of Recycling Equipment Credit

If recycling equipment for which a credit has been claimed ceases to be recycling equipment or is transferred to another person during any taxable year, the tax imposed for that taxable year shall be increased by the amount of the credit claimed for the recycling equipment multiplied by the recapture percentage prescribed in the following instructions. A taxpayer shall not carry over any unused credit relating to recycling equipment which ceases to be recycling equipment or is transferred to another person.

Recycling equipment is in service, for determining the percent of credit recapture, from the time it is placed in service until it ceases to be recycling equipment or is transferred to another person. The percent of credit recapture for recycling equipment which has been in service for:

Credit Recapture Percentage	
Less than 1 year	100% (1.00)
1 year or more, but less than 2 years	80% (.80)
2 years or more, but less than 3 years	60% (.60)
3 years or more, but less than 4 years	40% (.40)
4 years or more, but less than 5 years	20% (.20)
5 years or more	No recapture

Enter the total credit recapture from Part VI, line 33, on Form 300, Part II, line 19, or Form 301, Part II, line 21.